

Rising returns rates add to retailers' woes

Article

The trend: Retailers like **Macy's**, **Asos**, and **Boohoo** are struggling with a rising tide of returns as consumers adjust their spending patterns amid rising inflation and revert to pre-pandemic habits.

The stats:

- UK fashion retailer Boohoo said its **returns rate was 4% to 6% higher** for the quarter ended May 31 than before the pandemic as consumers bought more form-fitting dresses than athleisure.

- A significant increase in returns caused Asos to **slash its full-year profit guidance** to £20 million (\$27.5 million) to £60 million, down considerably from its previous estimates of £110 million to £140 million.
- Macy's CFO **Adrian Mitchell** said on the company's Q1 earnings call that growing demand for occasionwear led to "a higher-than-expected increase in returns" and a hit to digital sales.

How we got here: There are two main reasons for rising returns: inflation and fashion changes.

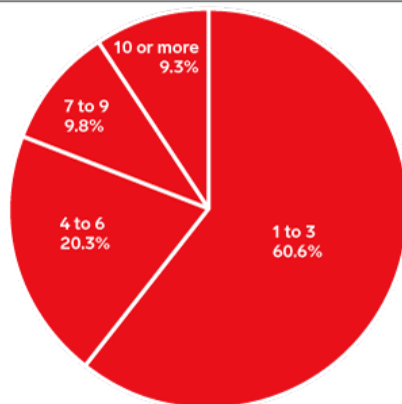
- Inflation is causing some consumers to dial back on apparel orders or return purchases they've already made.
- The shift from athleisure, where fit is less important, to occasionwear, which tends to be more unforgiving, has led many shoppers to bracket purchases (buy the same item in multiple sizes) and return items that don't fit.
- Nearly half (**45%**) of consumers say they occasionally bracket online fashion purchases, while 12% say they do it often, per a goTRG survey.

The cost of returns: Online returns are an expensive and growing problem for retailers, costing on average **21% of their order value**, per Pitney Bowes.

- Asos noted in its earnings statement that in addition to higher logistics costs, the retailer also must factor in increased discounting and the labor required to shift returned items, all of which eat into margins.
- In 2021, **16.6%** of merchandise was returned, up 10.6% compared with 2020, per a report by the National Retail Federation and Appriss Retail.

Number of Online Returns Made in the Past 3 Months Among US Digital Buyers, Sep 2021

% of respondents



Note: all respondents made at least 1 online return in the past 3 months
Source: Insider Intelligence, "Consumer E-Commerce Commerce Returns Survey," Oct 7, 2021

271385

eMarketer | InsiderIntelligence.com

How retailers are responding: Some retailers, like Boohoo, are taking the opportunity to reevaluate their returns policy.

- Boohoo's CEO **John Lyttle** told Bloomberg that the company may begin to charge customers in the UK, its largest market, for returns.
- **Zara** recently began charging customers in select markets for online returns, a move that the fast-fashion retailer says has **not affected sales**.

Why this could backfire: Charging customers for returns could affect brand loyalty by causing shoppers to cut back on purchases or switch to other retailers.

- The practice "is counterproductive," said **Patty Soltis**, eMarketer principal analyst at Insider Intelligence. "If a retailer can get the customer experience right, they will avoid the return altogether."
- Instead of homing in on the returns process, retailers should focus on addressing the reasons for returns—such as fit and style—and improve the way products are depicted on their sites. **That could mean implementing tools like augmented reality (AR) try-on tech**, or simply showing what an item looks like on a diverse array of bodies.
- Making this process easier will allow consumers to feel more secure in their purchases and could make even the most price-conscious shopper decide to pull the trigger.

US Digital Buyers Who Have Used Select Tools/ Methods to Help Determine Fit/Style Online, Oct 2021

% of respondents

	Often	Once or twice	No, but would use if available	No applicable
Customer reviews	72%	16%	-	-
Product photos & descriptions	65%	22%	-	-
Sizing charts	61%	26%	-	-
View on a variety of models	27%	29%	21%	15%
Suggested size based on other brands	11%	29%	30%	30%
Augmented reality tool to visualize	7%	25%	32%	36%

Note: ages 18-65 who have made an online return in the past 6 months

Source: Narvar, "The State of Returns: Finding What Fits," Nov 4, 2021

274604

eMarketer | InsiderIntelligence.com